



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

September 22, 1998

**S. 109**  
**Native American Housing Assistance and Self-Determination**  
**Amendments of 1998**

*As ordered reported by the Senate Committee on Indian Affairs on July 15, 1998*

**SUMMARY**

S. 109 would expand housing assistance for Native Hawaiians by extending to them the same types of federal housing programs available to American Indians and Alaska Natives (AIANs). The bill would authorize block grants for affordable housing activities by amending the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). In addition, it would provide loan guarantees for mortgages for owner- or renter-occupied housing by amending section 184 of the Housing and Community Development Act of 1992.

S. 109 would authorize appropriations totaling an estimated \$215 million over the fiscal years 1999 through 2003, assuming adjustments for inflation. Without adjustments for inflation the total amount authorized would be an estimated \$205 million. CBO estimates that enactment of the bill would not affect direct spending and would have a negligible effect on receipts. Nevertheless, pay-as-you go procedures would apply.

This bill would impose no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 109 is shown in Table 1. CBO estimates that the bill would authorize appropriations of \$41 million in 1999; authorizations would increase to \$45 million in 2003 assuming adjustments for inflation. Outlays from those appropriations would total \$3 million in 1999, increasing to \$39 million in 2003 with adjustments for inflation and to \$37 million without adjustments for inflation.

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TABLE 1. ESTIMATED COST TO THE FEDERAL GOVERNMENT

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	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
<b>With Adjustments for Inflation</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	605	646	661	676	0	0
Estimated Outlays	73	240	383	508	514	449
Proposed Changes						
Estimated Authorization Level	0	41	42	43	44	45
Estimated Outlays	0	3	16	26	33	39
Spending Under S. 109						
Estimated Authorization Level <sup>a</sup>	605	687	703	719	44	45
Estimated Outlays	73	243	399	534	547	488
<b>Without Adjustments for Inflation</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	605	633	633	633	0	0
Estimated Outlays	73	239	379	496	497	431
Proposed Changes						
Estimated Authorization Level	0	41	41	41	41	41
Estimated Outlays	0	3	16	25	32	37
Spending Under S. 109						
Estimated Authorization Level <sup>a</sup>	605	674	674	674	41	41
Estimated Outlays	73	242	395	521	529	468

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a. The 1998 level is the amount appropriated for that year for NAHASDA and Indian Loan Guarantees. The levels in subsequent years are estimated authorization amounts.

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The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 600 (income security).

## **BASIS OF ESTIMATE**

The bill stipulates that the provisions would take effect on June 1, 1999. CBO assumes that the authorized amounts would be fully funded each fiscal year.

## **Block Grants for Affordable Housing Activities**

Section 3 of S. 109 would add title VIII—Housing Assistance for Native Hawaiians—to NAHASDA. That title would make Native Hawaiians eligible for the types of block grants that are available under current law to American Indians and Alaska Natives. The block grants would be provided by the Department of Housing and Urban Development (HUD) to the Department of Hawaiian Home Lands, an agency of the government of the state of Hawaii. That agency would in turn distribute the grants by formula to the various areas of Hawaiian Home Lands eligible to receive funds. Activities eligible for funding would include the acquisition, development, and rehabilitation of affordable rental or owner-occupied housing, and the provision of housing services such as home ownership counseling, self-sufficiency counseling, housing management services, and crime prevention activities. The housing assistance would generally be limited to Native Hawaiian families who live on or near Hawaiian Home Lands and who have incomes not exceeding 80 percent of the area median income, adjusted for family size. Under the bill's definition, Native Hawaiians are people with at least 50 percent Hawaiian ancestry—an estimated 69,000 persons at present.

S. 109 would authorize, for each of the fiscal years 1999 through 2003, the appropriations necessary to carry out the block grant program for Native Hawaiians. CBO estimates that the authorization for fiscal year 1999 would be \$33 million, increasing gradually with inflation to \$37 million in 2003 (see Table 2).

The estimated amounts are based on the assumption that appropriations for the Native Hawaiian block grants would be proportional to the amount that was appropriated for fiscal 1998 under NAHASDA. The proportion was estimated so as to reflect the need for assistance to Native Hawaiians relative to the need for all tribes, with need defined by current regulations. Under current policy, a share of annual appropriations is first allocated to operate and maintain existing federally assisted Indian housing. Native Hawaiians would not qualify for this funding component because there is no federally assisted housing on the Hawaiian Home Lands. The remaining funds are distributed among Indian tribes according to a needs-based formula, which is based on seven factors, including the number of persons in the tribe, the number of households with various types of housing problems, and the number of households in various income categories. The percentage of funds each tribe receives is adjusted further for local housing development costs relative to the national average.

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TABLE 2. ESTIMATED AUTHORIZATIONS BY PROGRAM TYPE

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	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
<b>With Adjustments for Inflation</b>					
Block Grants					
Estimated Authorization Level	33	34	35	36	37
Estimated Outlays	1	7	15	25	31
Loan Guarantees					
Estimated Authorization Level	8	8	8	8	8
Estimated Outlays	2	9	11	8	8
Total					
Estimated Authorization Level	41	42	43	44	45
Estimated Outlays	3	16	26	33	39
<b>Without Adjustments for Inflation</b>					
Block Grants					
Estimated Authorization Level	33	33	33	33	33
Estimated Outlays	1	6	14	24	29
Loan Guarantees					
Estimated Authorization Level	8	8	8	8	8
Estimated Outlays	2	9	11	8	8
Total					
Estimated Authorization Level	41	41	41	41	41
Estimated Outlays	3	15	25	32	37

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Based on data provided by HUD, the Department of Hawaiian Home Lands, and a recent study by the Urban Institute on housing problems of Native Hawaiians, CBO estimates that in 1998 Native Hawaiians would have received roughly 8.6 percent of the needs-based component if they had been eligible for NAHASDA funding. In 1998, that component amounted to \$347 million of the \$600 million appropriated under NAHASDA. In order not to diminish funding for AIANs, it would be necessary to increase the needs-based component by about 9.4 percent or \$33 million.

## **Loan Guarantees**

Section 4 of S. 109 would establish a loan guarantee program for Native Hawaiian housing similar to the current Indian Housing Loan Guarantee program authorized under section 184 of the Housing and Community Development Act of 1992. HUD would be authorized to guarantee up to \$100 million of loans each fiscal year over the 1999-2003 period. CBO assumes that the 1999 subsidy rate for such loan guarantees would be similar to that under the existing program—about 8.13 percent. CBO estimates that such a program would require an appropriation of about \$8 million in fiscal year 1999 and total appropriations of about \$40 million over the next five years (see Table 2).

Section 4 also would provide for civil penalties against lenders or holders of a guarantee certificate who have intentionally failed to meet certain requirements. Payments of such penalties would be recorded as miscellaneous receipts to the Treasury. CBO expects that any increase in penalty collections would be insignificant.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the civil penalties that would be imposed by section 4 of the bill would constitute receipts, pay-as-you-go procedures would apply. However, CBO estimates that those receipts would be insignificant.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

This bill would not impose any intergovernmental or private-sector mandates as defined in UMRA. The bill would provide funds to the state of Hawaii in the form of housing assistance grants, and any costs would be incurred as a condition of receiving those grants. The state would also be eligible to receive federal guarantees for low-income housing loans.

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